

RECEIVED

NOV 29 2007

PUBLIC SERVICE
 COMMISSION

TRANSMITTAL LETTER

To: Beth O'Donnell, Exec. Director
 Public Service Commission
 P.O. Box 615
 Frankfort, KY 40602

Date: November 27, 2007

RE: Southeast Daviess County Water District
 Masonville Community Elevated Water Storage Tank
 PSC Case No. 2007-00352

We are sending you: Attached/Enclosed Federal Express
 Hand Delivered Faxed

The following items:

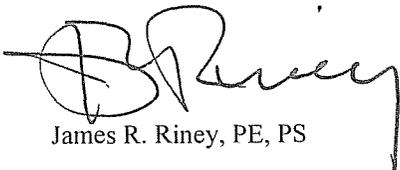
- | | | |
|---|---|---|
| <input type="checkbox"/> Plans | <input type="checkbox"/> Specifications | <input type="checkbox"/> Technical Drawing |
| <input type="checkbox"/> Survey Plat | <input type="checkbox"/> Description | <input checked="" type="checkbox"/> Requested Information |
| <input type="checkbox"/> Drainage Information | <input type="checkbox"/> Statement | <input type="checkbox"/> Shop Drawings |

<u>Item No.</u>	<u>Number of Copies</u>	<u>Description</u>
1	1	Duly signed KIA Loan Commitment Letter dated November 19, 2007 with KIA Attachment 'A'

Transmittal Information Forwarded:

- | | |
|---|---|
| <input type="checkbox"/> For your review/comment | <input type="checkbox"/> For your action |
| <input type="checkbox"/> For your information | <input type="checkbox"/> Approved as submitted |
| <input type="checkbox"/> For your use | <input type="checkbox"/> Approved as noted |
| <input checked="" type="checkbox"/> For your approval | <input type="checkbox"/> Returned for revisions |
| <input type="checkbox"/> Per your request | <input type="checkbox"/> Additional information requested |
| <input type="checkbox"/> For signature | <input type="checkbox"/> Discuss with me |
| <input type="checkbox"/> For your file | <input type="checkbox"/> |

Comments:



James R. Riney, PE, PS

Copy: Bill Higdon w/attachments
 James D. Rice/PSC

November 19, 2007

Mr. Joseph Elliot, Chairman
Southeast Daviess County Water District
3400 Bittel Road
Owensboro, Kentucky 42301

**KENTUCKY INFRASTRUCTURE AUTHORITY
GOVERNMENTAL AGENCIES PROGRAM
CONDITIONAL LOAN COMMITMENT C07-02**

Dear Mr. Elliot:

The Kentucky Infrastructure Authority (the "Authority") commends your efforts to improve public service facilities in your community. On November 1, 2007 the Authority approved your loan for water system improvements subject to the conditions stated below. The total cost of the project shall not exceed \$1,219,995 of which the Authority loan shall provide up to \$1,014,995. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project amount applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An assistance agreement will be executed between the Authority and the Southeast Daviess County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter November 19, 2008 will be allowed for you to meet the conditions set forth in this letter and enter into an assistance agreement. A one-time extension up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the assistance agreement.

The assistance agreement and this commitment shall be subject, but not limited to the following terms:

1. The Authority project loan shall not exceed \$1,014,995.
2. The loan shall bear interest at the rate of 3.0% per annum commencing with

the first draw of funds.

3. The loan shall be repaid over a period of five (5) years from the date of project completion.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due monthly and shall taken electronically from an account specified by the borrower on the first business day of each month and thereafter until the loan is repaid.
6. A loan servicing fee of two-tenths of one percent of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the assistance agreement as project costs are incurred.
8. The final assistance agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the assistance agreement or incorporated in the assistance agreement. Any required documentation shall be provided directly to the Authority.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable

state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided to the Authority prior to the pre-closing of the Authority loan and disbursement of the loan moneys. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported to the Authority and cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed. This shall be reviewed and approved by your consultant engineer.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the city council or appropriate governing board. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of said acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.

Mr. Joseph Elliot, Chairman
November 19, 2007
Page 4

10. Complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for service are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



John E. Covington, III
Financial Analyst

Attachment

c: William Higdon, Southeast Daviess County Water District
Jim Riney, HRG, PLLC
Mr. Dirk Bedarff, Peck Shaffer & Williams, LLP
Mr. Dan Waits, State Local Debt Officer, GOLD

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.


Accepted

11-26-2007
Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND C07-02)**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Telephone: _____ Contact: _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: _____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to: **Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

ATTACHMENT A

Reviewer: John E. Covington, III
 Date: November 1, 2007
 Loan Number: C07-02

**KENTUCKY INFRASTRUCTURE AUTHORITY
 GOVERNMENTAL AGENCIES PROGRAM FUND (FUND "C")
 SOUTHEAST DAVIESS COUNTY WATER DISTRICT, DAVIESS COUNTY
 PROJECT REVIEW
 WX21059024**

I. PROJECT DESCRIPTION

Construct a 500,000 gallon elevated water tank.

II. PROJECT BUDGET

Administrative Expenses	12,000	0.98%
Legal Expenses	2,000	0.16%
Land, Easements	15,000	1.23%
Planning	7,000	0.57%
Eng. Fees - Design	53,000	4.34%
Engineering Construction	13,000	1.07%
Eng. Fees - Insp. and Other	45,000	3.69%
Construction	1,021,900	83.76%
Contingency	51,095	4.19%
Total	1,219,995	100.00%

III. PROJECT FUNDING

KIA Fund C	1,014,995	83.20%
KIA CDF	205,000	16.80%
Total	1,219,995	83.20%

KIA Debt Service

Construction Loan	1,014,995
Interest Rate	3.0%
Loan Term	5
Estimated Annual Debt Service	110,060
Administrative Fee (0.2%)	2,030
Total Estimated Annual Debt Service	222,150

IV. PROJECT SCHEDULE

Bid Advertising: 9/14/2007
Bid Opening: 10/2/2007
Construction Start: 12/10/2007
Construction Stop: 6/1/2008

V. DEMOGRAPHICS/RATE STRUCTURE

CUSTOMERS

	Current	Proposed	Total
Residential	5,947	0	5,947
Commercial	193	0	193
Total	6,140	0	6,140

RATE STRUCTURE

Customer Charge

5/8" x 3/4" Meters \$2.36 per month
1" Meters \$3.30 per month
1 1/2" Meters \$4.25 per month
2" Meters \$6.85 per month

Usage Charge

First 20,000 Gallons \$3.20 per 1,000 gallons
Over 20,000 Gallons \$2.51 per 1,000 gallons

Bill for 4,000 Gallons \$15.16
Date of Last Rate Increase August 2006
Percent Increase 12.2%

CURRENT SYSTEM

Southeast Daviess County Water District purchases water from Owensboro Municipal Utilities.

DEMOGRAPHICS

The District serves approximately 6,140 customers. The county has a population of 37,478 outside the city limits of Owensboro. The county's median age was 36.8 compared to 35.9 for Kentucky and 35.3 for the United States. There were 13,374 occupied housing units in the county outside the city limits of Owensboro. The county

had 70.3% owner occupied housing units with an average household size of 247. In 2000, the county's Median Household Income (MHI) level was \$36,813. The median household income for the Commonwealth is \$33,672.

VI. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the District was obtained from the audited financial statements of the Southeast Daviess County Water District for the years ended June 30, 2004, 2005, 2006 and the 2007 District estimates

The District's balance sheet shows strong current ratios and percentages of revenues in receivables. The District currently does not have any long-term debt. The District has a significant balance in cash, investments and unrestricted net assets. The balance sheet indicates that the District can easily incur additional debt.

The District is projected to generate sufficient revenues to cover operating expenses and debt service requirements. 2007 projections were provided by the District and compared to the 2007 operations through May. Revenues and expenses for 2008 through 2010 were increased based on the results from 2003 through 2006. Using these assumptions the system has debt coverage ratios of 1.4 in 2008, 1.5 in 2009 and 1.6 in 2010. 2008 is the first year with debt service for the new loan. This loan has a term of 5 years and these projections cover 60% of the life of the loan.

VII. DEBT OBLIGATIONS

None

VIII. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project</u>	<u>Funding Source</u>	<u>Year</u>	<u>Amount</u>
Masonville Water Tank	KIA	2007	\$205,000
Waterline Ext./Loops	KIA	2005	\$215,000
Waterline Ext./Loops	KIA	2005	\$59,000
Philpot Pump Station/Trunk Line	KIA	2003	\$250,000

IX. CONTACTS

Applicant:

Name: Southeast Daviess County Water District
Address: 3400 Bittel Road
Owensboro, Kentucky 42301

County: Daviess
Contact: William Higdon
Phone: (270) 685-5594

Applicant Contact:

Name: William Higdon
Address: Southeast Daviess County
Water District
3400 Bittel Road
Owensboro, Kentucky 42301

Phone: (270) 685-5594

Engineer:

Name: Jim Riney
Address: HRG, PLLC
Post Office Box 535
Owensboro, Kentucky 42602

Phone: (270) 683-7558

X. RECOMMENDATIONS

KIA staff recommends approval of the loan.

**SOUTHEAST DAVIESS COUNTY WATER DISTRICT
BALANCE SHEETS**

ASSETS	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Current Assets				
Cash	192,712	169,853	247,415	351,983
Accounts Receivable	167,511	180,338	205,363	249,960
Investments	605,666	732,524	742,797	684,060
Interest Receivable	2,545	255	476	1,674
Prepaid Insurance	8,679	9,480	11,116	11,992
Inventory	68,903	65,215	38,885	60,317
Total Current Assets	<u>1,046,016</u>	<u>1,157,665</u>	<u>1,246,052</u>	<u>1,359,986</u>
Restricted Assets				
Cash - Repair Area Extension Fund	24,453	24,385	20,379	66,167
Cash - Medical Reimbursement Fund	-	14,679	28,460	53,059
Cash - Pump Station Fund	-	-	28,483	-
Investments - Customer Deposits	-	-	91,579	97,659
Interest Receivable - Restricted Funds	-	-	-	243
Total Restricted Assets	<u>24,453</u>	<u>39,064</u>	<u>168,901</u>	<u>217,128</u>
Capital Assets				
Land	18,000	18,000	18,000	18,000
Water Plant	5,922,376	6,038,088	6,181,939	6,780,729
Construction in Progress	15,840	45,920	347,300	33,801
	<u>5,956,216</u>	<u>6,102,008</u>	<u>6,547,239</u>	<u>6,832,530</u>
Less Accumulated Depreciation	1,950,693	2,061,902	2,157,091	2,259,416
Net Capital Assets	<u>4,005,523</u>	<u>4,040,106</u>	<u>4,390,148</u>	<u>4,573,114</u>
Total Assets	<u>5,075,992</u>	<u>5,236,835</u>	<u>5,805,101</u>	<u>6,150,228</u>
LIABILITIES				
Current Liabilities				
Accounts Payable	130,310	135,398	228,930	172,671
Accrued Pension	12,250	11,653	12,500	14,590
Accrued Scholl and Sales Taxes	5,777	6,247	7,063	4,196
Payroll Taxes and Withholding	3,492	3,715	4,742	4,089
Accrued Payroll	7,613	7,362	6,649	7,484
Current Liabilities Payable from Restricted Assets:				
Accounts Payable	2,423	2,376	3,336	3,465
Total Current Liabilities	<u>161,865</u>	<u>166,751</u>	<u>263,220</u>	<u>206,495</u>
Noncurrent Liabilities				
Customer Deposits	78,224	84,339	91,579	97,659
Total Current Liabilities	<u>78,224</u>	<u>84,339</u>	<u>91,579</u>	<u>97,659</u>
Total Liabilities	<u>240,089</u>	<u>251,090</u>	<u>354,799</u>	<u>304,154</u>
FUND EQUITY				
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,005,523	4,040,106	4,390,148	4,573,114
Restricted	22,030	36,688	168,901	217,128
Unrestricted	808,350	908,951	891,253	1,055,832
Total Net Assets	<u>4,835,903</u>	<u>4,985,745</u>	<u>5,450,302</u>	<u>5,846,074</u>
Total Liabilities and Net Assets	<u>5,075,992</u>	<u>5,236,835</u>	<u>5,805,101</u>	<u>6,150,228</u>
Balance Sheet Analysis				
Current Ratio	6.46	6.94	4.73	6.59
Debt to Equity	0.05	0.05	0.07	0.05
Percent of Operating Revenue in Receivables	14.26%	14.71%	15.32%	17.05%